

DE 99-080
DR 98-097

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Power Cost Recovery and Restructuring Compliance Filing

**Order Approving Power Cost Recovery, Changes to Meter Charges and
Short-term Avoided Costs**

O R D E R N O. 23,249

June 30, 1999

APPEARANCES: Dean, Rice & Kane by Mark W. Dean, Esq. for the New Hampshire Electric Cooperative, Jim Rodier, Esq. for Freedom Electric and New Hampshire Consumers Utility Cooperative, Ken Traum for the Office of Consumer Advocate, and Tracy Guyette and Steve Mullen for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On May 27, 1999 the New Hampshire Electric Cooperative, Inc. (NHEC or the Cooperative) filed with the Commission its biannual Power Cost Recovery (PCR), along with the Cooperative's proposed short-term rates for Qualifying Facilities, and a proposal to reduce the meter charge of several of its rate classes. On the same day, a letter was filed in DR 98-097, the Cooperative's Restructuring Compliance Filing, requesting the Commission approve changes to the Stranded Cost Charges and that the Commission address the changes along with the PCR filing in a single hearing. The proposed changes to the Stranded Cost Charge are developed in the Power Cost Recovery schedules. An Order of Notice for both dockets, DE 99-080 and DR 98-097, was issued on June 3, 1999 calling for a hearing on June 22, 1999. On June 7,

1999, the NHEC filed updated pages to its original filing to correct for an error discovered in the NHEC's calculation of the Regional Access Charge. A duly noticed hearing was held on June 22, 1999 at which time a late Motion for Intervention was received from the New Hampshire Consumers Utility Cooperative (NHCUC) for full intervention in DR 98-097. The Cooperative did not object to the Motion as long as the NHCUC did not address issues beyond the scope of the proceeding outlined in the Order of Notice. No other party objected to the Motion, which was granted.

II. POSITIONS OF THE PARTIES AND STAFF

A. New Hampshire Electric Cooperative, Inc.

The Cooperative presented the testimony of its witness, Heather K. Saladino, Manager of Rates & Finance. Ms Saladino indicated that several minor errors were found in the filing and a complete corrected set of testimony, schedules and proposed tariff pages would be filed with the Commission by June 25, 1999.

The NHEC testified that the Cooperative's average retail revenues will decrease by 3 percent due to the proposed changes in its Power Cost Recovery Charge. Overall, on July 1, 1999, with the combined changes to the Cooperative's Demand Side Management Surcharge, implementation of an Interim Energy Assistance Surcharge, and the Power Cost Recovery Charges, the Cooperative expects average retail revenues to decrease 2.6

percent.

Compared to the Cooperative's last PCR, several major changes to the methodology have been made. First, Default Power Service and Stranded Cost charges, which were the only components of the PCR, have been further unbundled to create a separate rate component for costs associated with regional access, the Regional Access Charge. The Regional Access Charge is proposed to be a flat per kWh charge across all rate classes. Customers will continue to be billed the Regional Access Charge even if the customer obtains power through a competitive supplier. Since the services paid for through the Regional Access Charge still provide value to the customer, the Cooperative did not want to combine these charges with the Stranded Cost Charge. The Cooperative also proposes to differentiate the Stranded Cost Charge and Default Power Charge, both per kWh charges, by rate class based upon the Cooperative's most recent cost of service study. Rate differentiation by class is proposed to avoid cost shifting among retail customer classes. Another change to the Cooperative's methodology includes allocating Public Service of New Hampshire (PSNH) demand charges to Stranded Cost rather than Default Power, based upon the Federal Energy Regulatory Commission's (FERC) most recent decision to require NHEC to pay PSNH delivery point demand charges for competitively supplied power. This change would result in cost shifting among some rate

classes, specifically those who do not cause demand charges, if rates did not vary by class. The Cooperative has appealed the FERC's decision in an effort to mitigate stranded costs.

Stranded Costs for 1999 are forecast to be \$6,317,426 and the Default Power Cost forecast for 1999 is \$53,932,348. Regional Access Costs for the period July 1, 1999 through December 31, 1999 are forecast to be \$1,297,678. The change to the NHEC's Power Cost Recovery is due primarily to a decrease in PSNH's wholesale FPPAC rate to the NHEC, recovery of the PSNH deferral, the effect of the Maine Yankee Settlement, and a change in the under-recovery balance.

The proposed changes to meter charges will reduce the meter charge at service locations with more than one meter. In DR 98-097 the charge for each meter was increased by \$.20 to recover the expected cost for a load estimation consultant. This filing proposes to reduce that charge to \$.20 per service location, which is how the Cooperative is charged by its load estimation consultant, rather than per meter.

B. New Hampshire Consumers Utility Cooperative

The NHCUC did not present any witnesses but questioned the Cooperative on the issue of retail transmission service. The Cooperative confirmed that the Regional Access Charge included a transmission charge which is billed as part of PSNH's demand charges to the NHEC. The NHCUC did not make a closing statement

in support of, nor in opposition to, the NHEC's proposed tariff changes.

C. Office of Consumer Advocate

The Office of Consumer Advocate (OCA) questioned the Cooperative on their plans to run an interim trial for retail access. The Cooperative indicated it would begin testing in early Summer 1999. The OCA also questioned the assumptions about Qualifying Facility power including in this PCR. The NHEC stated the schedules include power currently purchased from BioEnergy and power expected to be purchased starting July, 1999 from Waste Management, with whom the Cooperative has a signed contract in place. If the Cooperative is able to obtain enough QF power prior to the next PCR filing to substantially reduce power costs, the Cooperative will file for a rate adjustment prior to the next PCR filing. The OCA did not make a closing statement in support of, nor in opposition to, the NHEC's proposed tariff changes.

D. Staff

Staff questioned the Cooperative on their flat per kWh rate design for the Regional Access Charge which the Cooperative indicated was designed for simplicity. The Cooperative indicated a willingness to consider allocating the Regional Access Charge on a cost of service basis by class in the next PCR. In addition, Staff questioned the NEPOOL charges in HKS-6, which are estimates of charges based upon current information from NEPOOL.

Other than a recommendation that the Cooperative vary the Regional Access Charge by class in its next PCR filing, Staff agrees with the Cooperative's allocation of costs among Default, Stranded, and Regional Access Charges and supports the Cooperative's filing as amended during Ms Saladino's oral testimony.

III. COMMISSION ANALYSIS

We have reviewed the material in the Cooperative's PCR filing and the relevant information in docket DR 98-097 and find the proposed changes to the Cooperative's rates to be in the public interest. Given the FERC's most recent decision on payment of PSNH demand charges, we agree with the Cooperative's allocation of costs to the Stranded Cost Charge. With respect to the decision to base the design of Stranded Cost rates on cost of service, there is considerable merit to the proposal, but the issue needs further elaboration and review before we can set policy concerning this important issue. Meanwhile, we will permit the proposed rate design to go into effect. We are pleased the Cooperative is able to recover both the PSNH deferral and the \$195,000 deferral from the past 6 month period, during this Power Cost Recovery period and still offer a modest rate decrease to its customers. Prior to the NHEC's next PCR filing we direct the NHEC to meet with Staff to discuss rate design of the Regional Access Charge

Based upon the foregoing, it is hereby

ORDERED, that the New Hampshire Electric Cooperative is authorized to implement Stranded Cost Charges, Default Power Charges, and a Regional Access Charge as filed on June 23, 1999 for the period July 1, 1999 through December 31, 1999 ; and it is

FURTHER ORDERED, that the Cooperative shall adjust its meter charges for the \$.20/meter overcharge to those service locations with more than one meter ; and it is

FURTHER ORDERED, that the short-term avoided cost rate for Qualifying Facilities is set at the following prices per kilowatt-hour for the period July 1, 1999 to December 31, 1999 at the respective delivery points:

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Public Service Company of NH	Base Energy	8.347¢
	FPPAC	(0.311¢)
Central Vermont Public Service	Base Energy	3.283¢
New England Power Company	Base Energy	
	On-Peak	2.782¢
	Off-Peak	1.766¢
	All Hours	2.089¢
	Fuel Clause	varies monthly
Green Mountain Power Corporation	Base Energy	3.960¢
	Fuel Charge	varies monthly.

By order of the Public Utilities Commission of New
Hampshire this thirtieth day of June, 1999.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary